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## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites, Issue #18

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#### Report Highlights:

**Division Over Agricultural Subsidies\*Imported U.S. HFCS Compensatory Duties**

**Lifted\*New Ports of Entry for U.S. Imported Potato Products\*Mexico, Canada**

**Unite Against U.S. Farm Subsidies\*Mexican Economy Falls 3.5 Percent in March**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

## **DIVISION OVER AGRICULTURAL SUBSIDIES**

Several Mexican newspapers have reported that Secretary of Agriculture, Javier Usabiaga, announced in Tucson, Arizona, at a conference with Mexico's North American Free Trade Agreement (NAFTA) partners, that he would look for the appropriate measures to protect the Mexican farmers including the grant of subsidies.

The Secretary of Agriculture refrained from directly attacking the new U.S. legislation, but did call for greater "harmony" between Mexican, U.S. and Canadian policy. Moreover, "the projected harmonization of documents, restrictions and trade practices would include at a given time, harmonize subsidies," he said. Meanwhile, Secretary of Economy, Ernesto Derbez, rejected the possibility Mexico would increase subsidies for its own farmers. Secretary Derbez, at an Organization for Economic Cooperation and Development (OECD) meeting in Paris, said all members of the World Trade Organization (WTO) must remain committed to goals established at the WTO's last meeting in Doha, Qatar where developing nation's agreed to a new round of trade talks on the condition wealthier nations agreed to prioritize discussions over phasing out agriculture subsidies and other protectionist measures.

"The solution is not for Mexico to begin giving subsidies, but rather the United States eliminating theirs," Derbez told media in Paris on Thursday. He said Mexico will try to negotiate with the United States to end subsidy programs. U.S. President George W. Bush on Monday signed a farm bill that increases spending on support programs for U.S. farmers to around 190 billion dollars over 10 years according to the article. The move drew immediate criticism from other nations. Critics argue subsidies encourage overproduction and depress international prices. Mexican producers fear they could be undercut further by U.S. exports and have urged the Government of Mexico (GOM) to increase the destined budget for the agricultural sector. (Source: Reforma, El Universal, The News, 05/17/2002.)

## **IMPORTED U.S. HFCS COMPENSATORY DUTIES LIFTED**

On May 20, 2002, the Secretariat of Economy (SE) published in the "Diario Oficial" (Federal Register) the resolution to comply with the NAFTA Binational Panel's final decision of April 15, 2002 (see report MX2067) to lift the antidumping duties on U.S. high fructose corn syrup (HFCS) imports, which have been in effect since 1998. Accordingly, the Secretariat of Treasury, will proceed to return the compensatory duties, including interest, that were collected for U.S. HFCS imports. The H.T.S. codes of the affected products are: 1702.4099, 1702.5001,

1702.6001, 1702.6002, and 1702.6099. For additional information see report MX2075.  
(Source: Diario Oficial 05/20/02)

## **NEW PORTS OF ENTRY FOR U.S. IMPORTED POTATO PRODUCTS**

On May 17, 2002, the Secretariat of Treasury published in the Diario Oficial (Federal Register), a resolution that limits the number of ports of entry for potato products to four: Nogales, Nuevo Laredo, Tijuana and Ciudad Juarez which can only cross at the International Bridge of "Zaragoza Isleta". The products affected are: fresh potatoes (0701.90.99), frozen potatoes (2004.10.01), and processed potatoes (2005.20.01). Although, this measure is not intended to affect trade flow, it will likely increase the cost of the imported product. Fresh potatoes were included in the resolution indicating that a copy of the USDA certificate should be added to the import documents. (Source: Diario Oficial 05/07/02)

## **MEXICO, CANADA UNITE AGAINST U.S. FARM SUBSIDIES**

Mexican and Canadian officials on May 17, 2002 said they feared recently fortified subsidies to U.S. farmers will depress world agricultural product prices and could derail international trade talks. "The escalation in subsidies is seen as a major setback to international trade efforts to reduce agricultural subsidies and to liberalize trade," Mexican and Canadian officials said in a joint communique following a meeting of North American Free Trade Agreement (NAFTA) partners on agricultural policies. Delegates also said "lower commodity prices resulting from the new subsidies will worsen the adjustment difficulties facing Mexican agriculture when NAFTA tariffs are eliminated next year." In 2003, NAFTA eliminates remaining tariffs on all agricultural products - except corn, sugar and milk. The statement followed a two-day meeting near Tucson, Arizona, where delegates from Mexico, the United States and Canada met for the twelfth meeting of the Tri-National Agricultural Accord. On May 13, 2002, U.S. President George W. Bush signed a new farm bill that boosts subsidies to U.S. farmers by 190 billion dollars over the next 10 years. The move drew sharp criticism from other nations, which called the protectionist move hypocritical in light of Bush's lip service to free trade. (Source: El Financiero; Reforma, The News).

## **MEXICAN ECONOMY FALLS 3.5 PERCENT IN MARCH**

A leading indicator of Mexican economic activity fell 3.5 percent in March compared to the same month last year, the National Institute of Statistics, Geography and Computing (INEGI) said on May 20, 2002. Mexico's IGAE indicator, which gauges activity in the industrial, agricultural and service sectors, provides a short-term economic outlook that is less comprehensive than the gross domestic product report, INEGI said. The industrial sector encompasses electric energy generation and manufacturing, water, gas, construction and mining activity. INEGI officials attributed the drop to Holy Week celebrations in the predominantly Catholic country that resulted in a shortened work month. At the same time, during the first quarter of 2002, Mexico's GDP fell 2 percent as a result of a 4.4-percent drop in industrial output, a 1.1-percent decline in services and a 5.1-percent gain in agriculture. The slumping U.S. economy was keenly felt by Mexico's manufacturing sector, much of which is found along the U.S.-Mexican border in the form of maquiladoras, or assembly plants. (Source: El Financiero, The News 05/21/2002)

**REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY**

| <b>REPORT #</b> | <b>TITLE</b>   | <b>DATE</b> |
|-----------------|--|-------------|
| MX2073          | Weekly Highlights & Hot Bites, Issue #17   | 5/16/2002   |
| MX2075          | Imported U.S. HFCS Compensatory Duties Lifted  | 5/21/2002   |
| MX2076          | Mexico's NAFTA Tariff Schedule for 2002  | 5/22/2002   |
| MX2077          | Cotton and Products Annual Report  | 5/22/2002   |
| MX2078          | Tomato Semi-Annual Report  | 5/22/2002   |
| MX2079          | Mexican Territory Declared Free of Salmonella pullorum   | 5/22/2002   |
| MX2080          | Final Rule on Modification to NOM-066-FITO-2002:<br>Specifications for the Phytosanitary Movement of Avocado | 5/22/2002   |
| MX2081          | Auction of Permits to Import Milk Powder Set for June 20   | 5/23/2002   |
| MX2082          | Auction of Permits to Import Pork Fat and Oils Set for June 25   | 5/24/2002   |

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